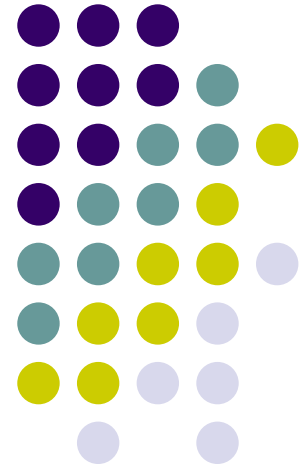


# The Economics of Growth, Sprawl and Land Use Decisions

**Jeffrey H. Dorfman**

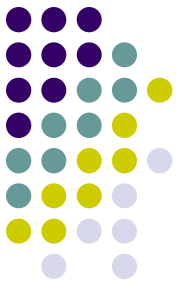


# Why Manage Growth?



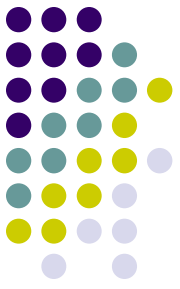
- Some growth will come to your city or county whether you want it or not.
- Some growth won't come to your city or county no matter what you do.
- Then there is a middle ground you can impact
  - **This part will decide your fate**

# Economic Benefits of Farm and Forest Lands



- These lands produce valuable products for consumers, generate jobs and tax revenues
  - **1/6 of all jobs and gross state product in GA**
- These lands attract businesses and families
- These lands also provide a net surplus to local government finances

# Economic Benefits of Green Space



- Green spaces increase property values of surrounding land (approx. 10% for ¼ mile)
- Green and open spaces can provide environmental amenities for free (NYC)
- If green spaces contribute to quality of life, you attract people and jobs to your community

# Development by Type



- Many counties and cities think that **growth** and **development** mean an **increasing tax base** and better financial health for the local government.
- Unfortunately a growing tax base is not enough to guarantee financial health, **you must get revenue to grow faster than expenditures.**

# Average Service Costs by Land Use Type

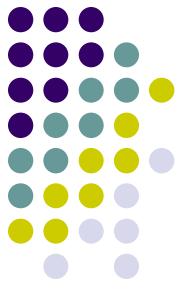


- Different categories of development provide different levels of local revenue and require different levels of local government services.
- To examine the impact of these differences in Georgia, I have conducted **12 cost of community service studies in Georgia.**
- (Plus 1 in Florida and 1 in North Carolina)



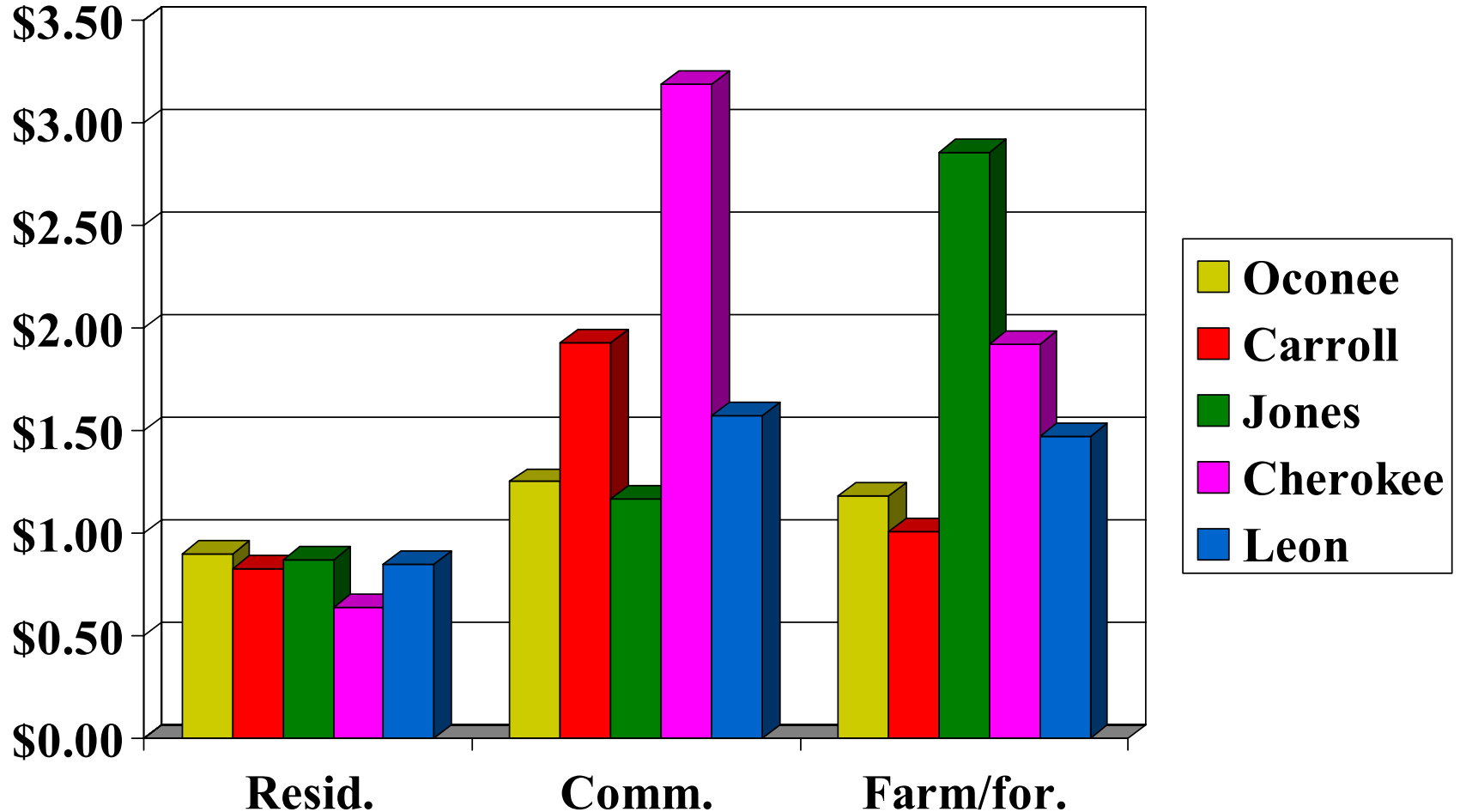
# Revenues to Cost by Land Use

- Using results compiled by AFT, the national averages are:
  - **Residential:** **\$0.87**
  - **Commercial/Industrial:** **\$3.45**
  - **Farmland/Forestland/Open Space:** **\$2.70**
- These figures are \$'s of revenue for each \$1 of expenditures.



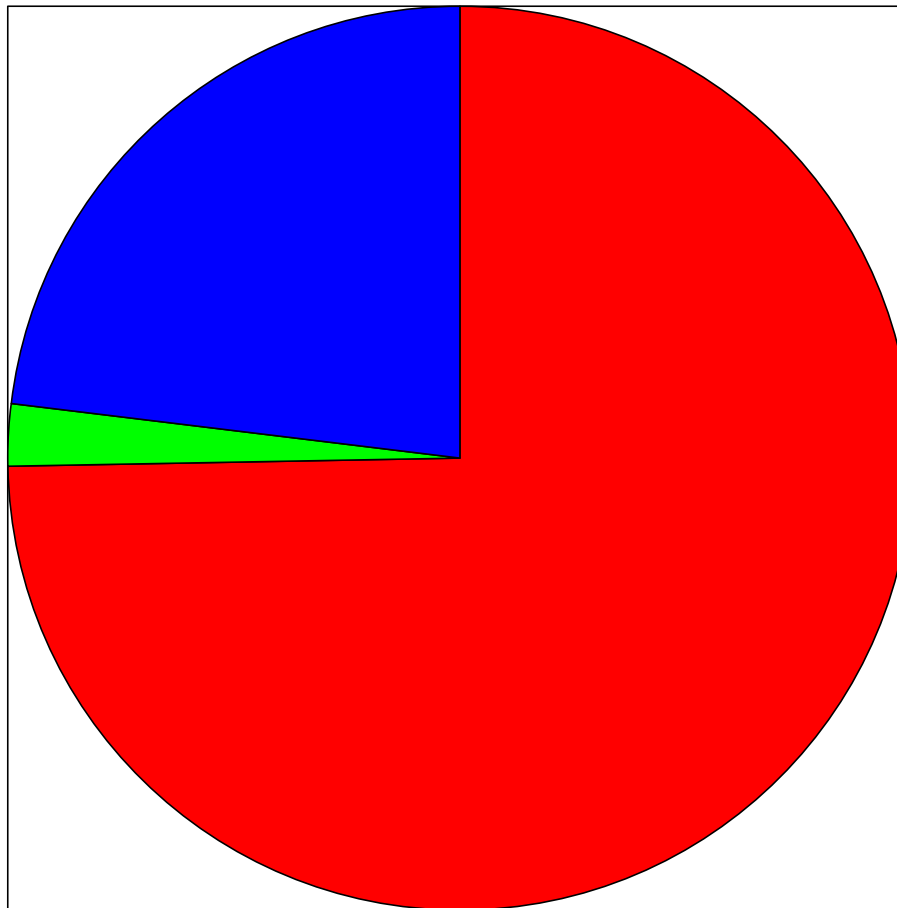
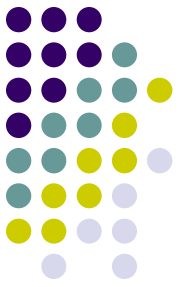
# Some Southeastern US Results

## Revenue:Expenditure Ratios

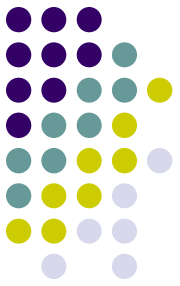




# Columbia County Digest



# Development Patterns



- Development patterns have an impact on the cost of service delivery: **sprawl is expensive to service.**
- The same growth done more densely and contiguously saves both money, farmland, and provides environmental amenities.
  - New Jersey, South Carolina, California studies



# How Density and Location Matter

- Higher density saves money given the amount of growth.
  - Less infrastructure to operate and maintain
  - Lower operating cost for many service deliveries
  - Costs drop about half as much as land used
- Same argument applies to contiguous growth rather than leapfrog/scattered growth.

# A Density Example



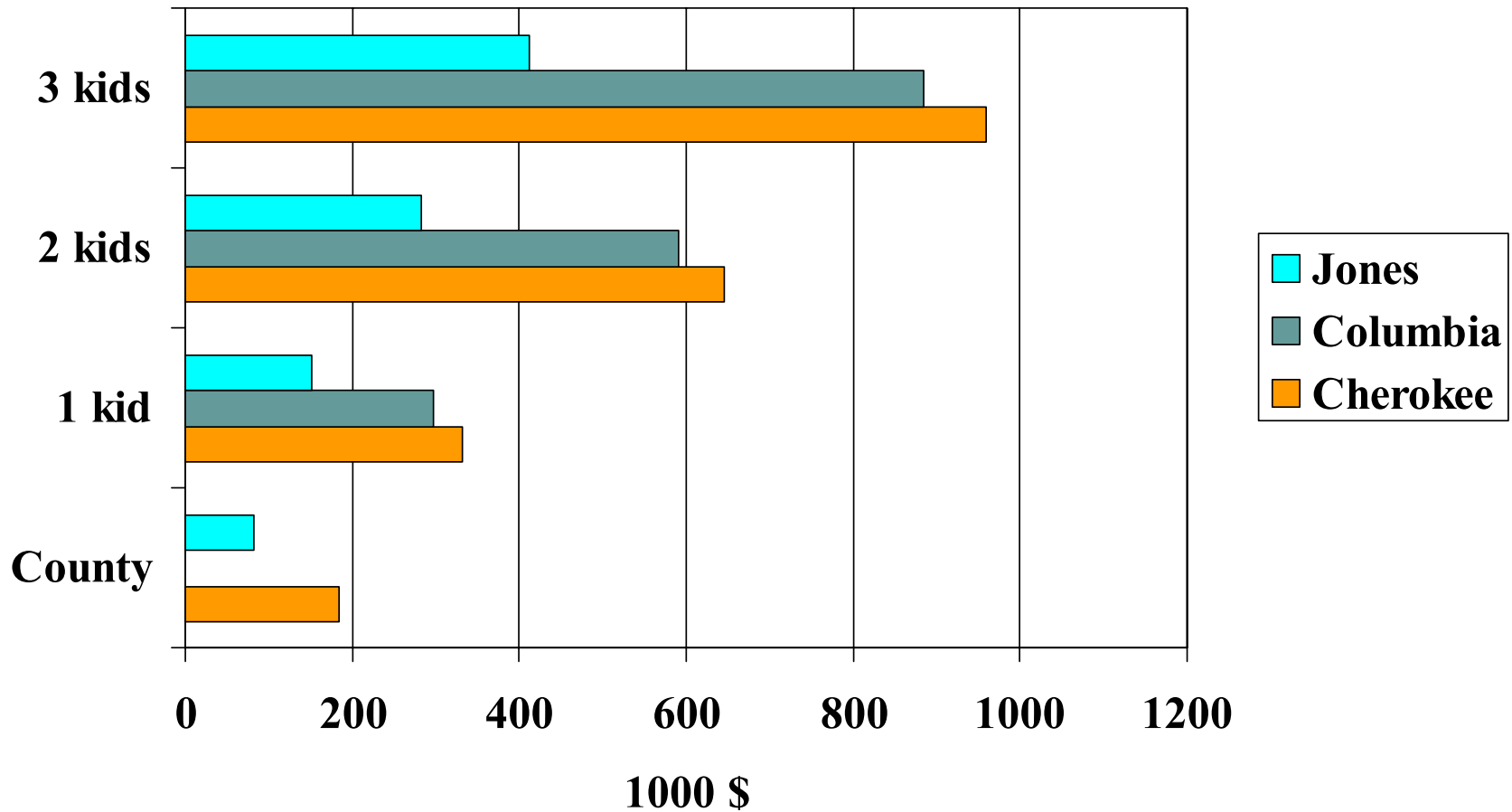
- 300 homes, \$140,000, **standard subdivision**
  - \$403,000 in property taxes, more in other fees
  - \$576,000 in service costs
  - Fiscally negative (especially for schools)
- 300 homes, \$140,000, **conservation subdiv.**
  - \$403,000 in property taxes, more in other fees
  - \$478,000 in service costs (**\$98,000 in savings**)
  - 100 acres farm/open space saved, surrounding property values also increase
  - Now probably fiscally positive for county gov't

# The Economics of Schools



- Schools are really the biggest (and hidden) economic issue when discussing growth.
- Only really expensive homes pay enough school taxes to pay for even 1 kid.
- **\$298,000 house = 1 kid's local education cost in Columbia County**

# Break-even Home Values



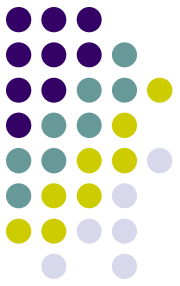
# Jobs, Commuting, and Home



- 31% of workers in Rural South work in a different county than where they live.
- 52% of employment growth in metro areas is from in-commuters.
- 27% of employment growth in rural areas is from in-commuters.
- **This means jobs may not equal housing growth, but also that housing can grow without new jobs.**

- Source for this slide is Mitch Renkow, NC State

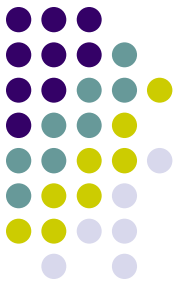
# A Role for Government in the Market



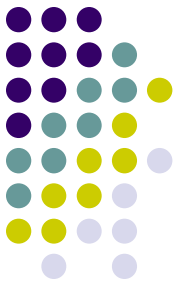
- Government should charge the full social cost of development (impact fees??)
- Government must find a balance of commercial (& industrial) growth to pair with residential
- Government should not push businesses across taxing borders



# Tools: What Works?

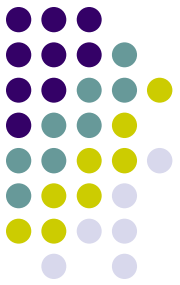


- Zoning
- Standards
- Impact fees
- Incentives (time, approval, differential fees)
- Balance requirements (enforced planning)
- TDRs
- PDRs
- Time



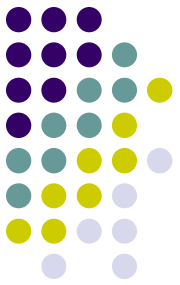
# Zoning

- Often a bad idea in terms of separating uses
- Political process more than planning
- Doesn't work because of rezoning
- Nobody likes it



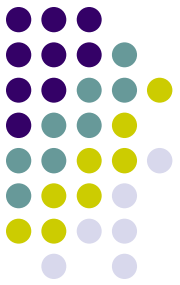
# Standards

- Similar to zoning, but without the zones
- Building code remains, (perhaps) beefed up
- Can ensure quality, can soft-force locations
- Easy to administer



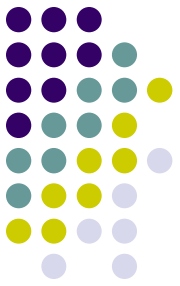
# Impact Fees

- Good way to collect money for infrastructure
- Successful as funding source, no economic downside
- Often face significant political resistance
- Can be difficult to administer



# Incentives

- More similar to standards than zoning, also similar to impact fees and enforced planning
- Replace regulations with options that face different “costs”
- Example: if you preserve 50% open space, higher density is approved automatically



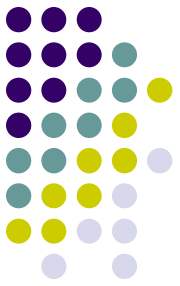
# Balance Requirements

- Forced compliance with planning, LRCP
- Place rules on commission and boards to keep growth balanced
- Rules help take politics out of process (after you get the rules passed)
- Can lead to unforeseen problems, then you need exceptions



# TDRs

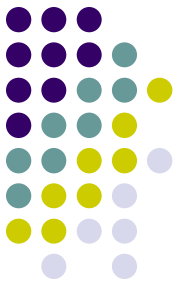
- Transferable Development Rights
- Tool for preserving farms/forest/open space
- Cost of program borne by developers
- Incentive based, all voluntary program



# PDRs

- Purchase of Development Rights
- Another way to preserve land
- Don't need growth to make this work
- Do need a way to fund the program

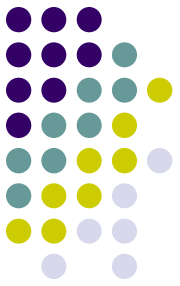




# Time

- Stall growth for a while (moratoria)
- Hope that you come up with good ideas
- Only hurts if growth you wanted goes away during moratorium

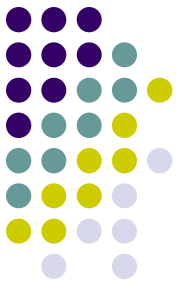
# Balanced Growth a Must



- The real conclusion is
- **Local governments must ensure balanced growth, as sprawling residential growth is a certain ticket to fiscal ruin\*.**

**\* Or at least big tax increases.**

# Other Resources



- More information on the economics of growth and related studies can be found on the web at:

[www.arches.uga.edu/~jdorfman/](http://www.arches.uga.edu/~jdorfman/)